DiamondRock Hospitality Co
Form DEF 14A
March 13, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934 (Amendment No.)

Filed by the Registrant o
Filed by a Party other than the Registrant o
Check the appropriate box:

o	Preliminary Proxy Statement
o	**Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
x	Definitive Proxy Statement
o	Definitive Additional Materials
o	Soliciting Material Pursuant to §240.14a-12

DIAMONDROCK HOSPITALITY COMPANY

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

x	No fee required.	
o	Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.	
	(1)	Title of each class of securities to which transaction applies:
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	(4)	Proposed maximum aggregate value of transaction:
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o	Fee paid previously with preliminary materials.	
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March 26, 2007

Dear Stockholder:

You are cordially invited to attend the 2007 annual meeting of stockholders of DiamondRock Hospitality Company. The annual meeting will be held on Thursday, April 26, 2007 at 11:00 a.m., local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland.

The attached proxy statement, with formal notice of the meeting on the first page, describes the matters expected to be acted upon at the meeting. We urge you to review these materials carefully and to use this opportunity to take part in the affairs of DiamondRock Hospitality Company by voting on the matters described in this proxy statement. We hope that you will be able to attend the meeting. Following the formal portion of the meeting, we will review our operations, report on our 2006 financial results and discuss our plans for the future. Our directors and management team will also be available to answer appropriate questions.

Your timely vote is important. Whether or not you plan to attend the meeting, please, as promptly as possible, either (i) mail to us a completed enclosed proxy card or (ii) vote by calling the toll-free telephone number or via the Internet. The enclosed proxy card contains instructions regarding all three methods of voting. If you attend the meeting, you may continue to have your shares voted as instructed in the proxy or you may withdraw your proxy at the meeting and vote your shares in person.

We look forward to seeing you at the meeting.

Sincerely,

WILLIAM W. MCCARTEN
Chairman and Chief Executive Officer

DIAMONDROCK HOSPITALITY COMPANY

6903 Rockledge Drive
Suite 800
Bethesda, MD 20817

NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

TO BE HELD ON APRIL 26, 2007

The 2007 annual meeting of stockholders of DiamondRock Hospitality Company (***DiamondRock***) will be held on Thursday, April 26, 2007 at 11:00 a.m., local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland, for the following purposes:

1. To elect directors, each to serve for a one-year term and until their respective successors are duly elected and qualified;

2. To approve the amendments to our 2004 Stock Option and Incentive Plan;

3. To ratify the appointment of KPMG LLP as independent auditors of DiamondRock to serve for 2007; and

4. To consider and act upon any other matters that are properly brought before the annual meeting and at any adjournments or postponements thereof.

You may vote if you were a stockholder of record as of the close of business on March 23, 2007. If you do not plan to attend the meeting and vote your shares of common stock in person, please vote in one of the following ways:

- Use the toll-free telephone number shown on your proxy card (this call is toll-free if made in the United States or Canada);

- Go to the website address shown on your proxy card and vote via the Internet; or

- Mark, sign, date and promptly return the enclosed proxy card in the postage-paid envelope.

Any proxy may be revoked at any time prior to its exercise at the annual meeting.

BY ORDER OF THE BOARD OF DIRECTORS

Michael D. Schecter
Corporate Secretary

March 26, 2007

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March 26, 2007

PROXY STATEMENT

DIAMONDROCK HOSPITALITY COMPANY
6903 Rockledge Drive
Suite 800
Bethesda, MD 20817

This proxy statement and the enclosed proxy card are being mailed to stockholders on or about March 26, 2007. These documents are furnished in connection with the solicitation of proxies by the Board of Directors of DiamondRock Hospitality Company (***DiamondRock*** or our ***Company***) for use at the 2007 annual meeting of our stockholders to be held on Thursday, April 26, 2007 at 11:00 a.m., local time, at the Bethesda Marriott Suites Hotel, 6711 Democracy Boulevard, Bethesda, Maryland, and at any adjournments or postponements thereof.

QUESTIONS AND ANSWERS ABOUT THE ANNUAL MEETING

What is the purpose of the annual meeting?

At the annual meeting, stockholders will be asked to vote upon the matters set forth in the accompanying notice of meeting, including the election of directors, an amendment to our 2004 Stock Option and Incentive Plan and ratification of the appointment of KPMG LLP as our independent auditors.

Who is entitled to vote?

If our records show that you were a stockholder as of the close of business on March 23, 2007, which is referred to in this proxy statement as the record date, you are entitled to receive notice of the annual meeting and to vote the shares of common stock that you held as of the close of business on the record date. Each outstanding share of common stock entitles its holder to cast one vote on each matter to be voted upon.

May I attend the meeting?

All stockholders of record of shares of our common stock at the close of business on the record date, or their designated proxies, are authorized to attend the annual meeting. Each stockholder or proxy will be asked to present a form of valid picture identification, such as a driver s license or passport.

What constitutes a quorum?

The presence, in person or by proxy, of stockholders entitled to cast a majority of all the votes entitled to be cast at the annual meeting constitutes a quorum for the transaction of business at the annual meeting. As of the record date, there were 95,606,992 shares of common stock outstanding and entitled to vote at the annual meeting. Shares that reflect votes withheld for director nominees, abstentions or broker non-votes (i.e., shares represented at the meeting held by brokers or other nominees as to which instructions have not been received from the beneficial owners or persons entitled to vote such shares and with respect to which, on one or more but not all matters, the broker or nominee does not have discretionary voting power to vote such shares) will be counted for purposes of determining whether a quorum is present for the transaction of business at the annual meeting.

How do I vote?

Voting in Person at the Meeting.

If you are a registered stockholder and attend the annual meeting, you may vote in person at the meeting. If your shares of common stock are held by a broker, bank or other nominee (i.e., in street name) and you wish to vote in person at the meeting, you will need to obtain a proxy form from the broker, bank or other nominee that holds your shares of common stock of record.

Voting by Proxy for Shares Registered Directly in the Name of the Stockholder.

If you hold your shares in your own name as a holder of record, you may instruct the proxy holders named in the enclosed proxy card how to vote your shares of common stock by using the toll-free telephone number, the website listed on the proxy card or by signing, dating and mailing the proxy card in the postage-paid envelope provided.

- *Vote by Telephone*. If you hold your shares of common stock in your own name as a holder of record, you may vote by telephone by calling the toll-free number listed on the accompanying proxy card. Telephone voting is available 24 hours per day until 11:59 p.m., Eastern Time, on April 25, 2007. When you call, please have your proxy card in hand, and you will receive a series of voice instructions which will allow you to vote your shares of common stock. *IF YOU VOTE BY TELEPHONE, YOU DO NOT NEED TO RETURN YOUR PROXY CARD*.

- *Vote by Internet*. You also have the option to vote via the Internet. The website for Internet voting is printed on your proxy card. Internet voting is available 24 hours per day until 11:59 p.m., Eastern Time, on April 25, 2007. As with telephone voting, you will be given the opportunity to confirm that your instructions have been properly recorded. *IF YOU VOTE VIA THE INTERNET, YOU DO NOT NEED TO RETURN YOUR PROXY CARD*.

- *Vote by Mail*. If you would like to vote by mail, mark, sign and date your proxy card and return in the postage-paid envelope provided. Proxy cards must be received by 11:59 p.m. Eastern Time on April 25, 2007.

Voting by Proxy for Shares Registered in Street Name.

If your shares of common stock are held in street name, you will receive instructions from your broker, bank or other nominee which you must follow in order to have your shares of common stock voted.

What is householding?

The rules of the Securities and Exchange Commission (the ***SEC***) allow for householding, which is the delivery of a single copy of an annual report and proxy statement to any address shared by two or more stockholders. Duplicate mailings can be eliminated by allowing stockholders to consent to such elimination, or through implied consent if (1) it is believed that the stockholders are members of the same family, (2) the stockholders are notified that householding is to be used and (3) the stockholders do not request continuation of duplicate mailings. If you own shares of common stock in your own name as a holder of record, householding will not apply to your shares. If your shares of common stock are held in street name, depending upon the practices of your broker, bank or other nominee, you may need to contact them directly to discontinue duplicate mailings to your address. If you wish to revoke your consent to householding, you must contact your broker, bank or other nominee.

How do I receive extra copies of the annual report or proxy statement?

If you wish to request extra copies free of charge of our annual report or proxy statement, please send your written request to DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Corporate Secretary; or call us with your request at (240) 744-1150.

Will other matters be voted on at the annual meeting?

We are not currently aware of any other matters to be presented at the annual meeting other than those described in this proxy statement. If any other matters not described in the proxy statement are properly presented at the meeting, any proxies received by us will be voted in the discretion of the proxy holders.

May I revoke my proxy instructions?

You may revoke your proxy at any time before it has been exercised by:

- filing a written revocation with our corporate secretary, addressed to: DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Corporate Secretary;

- submitting a new proxy by telephone, Internet or proxy card after the date of the previously submitted proxy; or

- appearing in person, revoking your proxy and voting by ballot at the annual meeting.

Any stockholder of record as of the record date attending the annual meeting may vote in person whether or not a proxy has been previously given, but the presence (without further action) of a stockholder at the annual meeting will not constitute revocation of a previously given proxy.

What other information should I review before voting?

Our 2006 annual report, including a copy of our annual report filed with the SEC on Form 10-K and financial statements for the fiscal year ended December 31, 2006, is being mailed to stockholders concurrently with this proxy statement. Although our annual report is not part of the proxy solicitation material, we recommend that you review our 2006 annual report prior to voting.

CORPORATE GOVERNANCE PRINCIPLES AND BOARD MATTERS

The Board of Directors and Its Committees

***Board of Directors*.**

We are managed under the direction of our Board of Directors (the ***Board of Directors***). Each of the six directors stands for election annually. Our directors are: Daniel J. Altobello, W. Robert Grafton, Maureen L. McAvey, William W. McCarten, Gilbert T. Ray and John L. Williams. Mr. McCarten is the Chairman of our Board of Directors and Mr. Grafton is our Lead Director.

***Director Independence*.**

Our Board of Directors has a policy that a majority of our directors must be independent. In order to qualify as an independent director under our independence standards, a director may not have a material relationship with us. In addition, directors must also be independent within the meaning of the New York Stock Exchange s requirements (or the **NYSE Corporate Governance Rules**). A director is not considered independent if, within the past three years:

- the director was employed by our Company (except on an interim basis);
- an immediate family member of the director was an officer of our Company;
- the director or an immediate family member was affiliated with or employed by our internal or external auditors;
- the director or an immediate family member was employed by a company when a present officer of our Company sat on that company s compensation committee;
- the director or an immediate family member received, during any 12-month period, more than $100,000 in compensation from our Company, other than director or committee fees or deferred compensation; or
- the director is an employee, or an immediate family member is an executive officer, of a company that makes payments to or receives payments from our Company which exceed the greater of $1 million or 2% of that company s consolidated gross revenue over one fiscal year.

In addition, our Board of Directors considers, among other factors, whether the director, or an organization with which the director is affiliated, has entered into any commercial, consulting, or similar contracts with our Company; whether the director receives any compensation or other fees from our Company, other than the director fees described below under Compensation Discussion and Analysis Director Compensation ; and whether we and/or any of our affiliates make substantial contributions to tax-exempt organizations with which the director, or the director s spouse, is affiliated.

Our Board of Directors has determined that each of our four non-management directors is an independent director under our independence standards and under the NYSE Corporate Governance Rules. These four directors comprise a majority of our six-member Board of Directors.

Meetings.

Our Board of Directors met six times during 2006. Each of our directors attended at least 75% of the meetings of our Board of Directors and 75% of the meetings of the committees of our Board of Directors on which the director served. We expect each of our directors to attend our annual meeting of stockholders in person unless doing so would be impracticable due to unavoidable conflicts. In 2006, all of our directors attended our annual meeting of stockholders.

Directors who qualify as being non-management within the meaning of the NYSE Corporate Governance Rules meet on a regular basis in executive sessions without management participation. The executive sessions occur after each regularly scheduled meeting of our entire Board of Directors and at such other times that our non-management directors deem appropriate. Each director has the right to call an executive session. The executive sessions are chaired by Mr. Grafton, the lead director of our Board of Directors.

Committees.

Our Board of Directors has established an Audit Committee, Nominating and Corporate Governance Committee and Compensation Committee and has adopted written charters for each committee. A copy of our Audit Committee Charter, Compensation Committee Charter and Nominating and Corporate Governance Committee Charter is available on our website at http://www.drhc.com under the heading Corporate Governance and subheading Committee Charters. These charters are also available in print to any stockholder upon written request addressed to DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Investor Relations.

The chart below shows the membership of each of these committees.

Name of Director	**Audit**	**Compensation**	**Nominating and Corporate Governance**
Daniel J. Altobello	M	C	M
W. Robert Grafton	C	M	M
Maureen J. McAvey	M	M	M
Gilbert T. Ray	M	M	C

M=Committee member, C=Chair

Our Board of Directors may from time to time establish special or standing committees to facilitate the management of DiamondRock or to discharge specific duties delegated to a committee by our full Board of Directors.

Audit Committee. Our Audit Committee is comprised of all four of our independent directors: Daniel J. Altobello, W. Robert Grafton, Maureen L. McAvey and Gilbert T. Ray. Mr. Grafton serves as the chairperson of our Audit Committee. Each member of our Audit Committee is independent as that term is defined by the SEC and New York Stock Exchange (the ***NYSE***). Mr. Altobello currently serves on the audit committees of three other public companies. Our Board of Directors has determined that such service does not impair the ability of Mr. Altobello to effectively serve on the committee. The Report of the Audit Committee is included in this Proxy Statement. Our Audit Committee met four times during 2006.

Our Board of Directors determined that each of Mr. Grafton and Mr. Altobello qualifies as an audit committee financial expert as such term is defined in the rules of the SEC. In accordance with the SEC s safe harbor relating to audit committee financial experts, a person designated or identified as an audit committee financial expert will not be deemed an expert for purposes of federal securities laws. In addition, such designation or identification does not impose on such person any duties, obligations or liabilities that are greater than those imposed on such person as a member of the Audit Committee or Board of Directors in the absence of such designation or identification and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Our Audit Committee, pursuant to its written charter, assists our Board of Directors in its oversight of (i) our accounting and financial reporting processes; (ii) the integrity and audits of our financial statements; (iii) our compliance with legal and regulatory requirements; (iv) the qualifications, independence and performance of our independent auditors; and (v) the performance of our internal audit function. Our Audit Committee, among other things, also:

- is responsible for the appointment, retention and termination of our independent auditors and determines the compensation of our independent auditors;
- annually evaluates the independent auditors qualifications, performance and independence;
- has sole authority to approve in advance all audit, internal control-related and non-audit services by our independent auditors, the scope and terms thereof, and the fees therefor;
- sets policies with respect to the potential hiring of current or former employees of the independent auditor;
- meets regularly with our senior executive officers, internal auditors and our independent auditors in separate executive sessions;
- annually reviews and assesses the adequacy of our Audit Committee charter and submits proposed changes to our Board of Directors; and
- annually evaluates the performance of our Audit Committee and reports the results of such an evaluation to our Board of Directors.

Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee is comprised of all four of our independent directors, Daniel J. Altobello, W. Robert Grafton, Maureen L. McAvey and Gilbert T. Ray. Mr. Ray serves as the chairperson of our Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee met four times during 2006. Our Nominating and Corporate Governance Committee, pursuant to its written charter, is responsible for, among other things:

- identifying and recommending qualified individuals to become members of our Board of Directors;
- recommending to our Board of Directors criteria for membership on our Board of Directors and committee membership, including any specific minimum qualifications;
- recommending to our Board of Directors the directors for appointment to committees of our Board of Directors;
- developing and recommending to our Board of Directors a set of corporate governance guidelines and policies and a code of ethics, and periodically reviewing and recommending any changes to such guidelines and code;
- overseeing the annual performance evaluation of our Board of Directors;
- establishing policies for the identification and consideration of director candidates recommended by stockholders or securityholders;
- reviewing and assessing our Nominating and Corporate Governance Committee Charter and submitting proposed changes to our Board of Directors; and
- performing an annual performance evaluation of our Nominating and Corporate Governance Committee and reporting the results to our Board of Directors.

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Compensation Committee. Our Compensation Committee is comprised of all four of our independent directors, Daniel J. Altobello, W. Robert Grafton, Maureen L. McAvey and Gilbert T. Ray. Mr. Altobello serves as the chairperson of our Compensation Committee. Our Compensation Committee met six times during 2006. The Compensation Committee, pursuant to its written charter, among other things:

- reviews and approves or makes recommendations to our Board of Directors with respect to the compensation for our executive officers and non-employee directors;
- reviews and approves or makes recommendations to our Board of Directors with respect to our incentive-based and equity-based plans;
- reviews and assesses the adequacy of the Compensation Committee charter and submits proposed changes to our Board of Directors; and
- annually evaluates the performance of our Compensation Committee and reports the results of such an evaluation to our Board of Directors.

The Compensation Committee also reviews and approves corporate goals and objectives relevant to chief executive officer compensation, evaluates the chief executive officer s performance in light of those goals and objectives, and determines and approves the chief executive officer s compensation levels based on its evaluation. Our Compensation Committee has the authority to retain and terminate any compensation consultant to be used to assist in the evaluation of the chief executive officer or other executive officer compensation. The Report of the Compensation Committee is included in this Proxy Statement.

Code of Business Conduct and Ethics

We have adopted a Code of Business Conduct and Ethics (our **Code of Ethics**), relating to the conduct of our business by our employees, executive officers and directors. Day-to-day responsibility for administering and interpreting our Code of Ethics has been delegated by our Board of Directors to Mr. Schecter, our compliance officer and our general counsel. Our Code of Ethics generally provides, among other things, that our directors, executive officers and employees must:

- not engage in any unlawful activity in conducting our business;
- protect our assets that are entrusted to them and take steps to ensure that our assets are used only for legitimate business purposes;
- not divert corporate opportunities that are discovered through the use of our property or information to himself or herself unless that opportunity has first been presented to, and rejected by, us;
- not use our property or information for his or her improper personal gain;
- not compete with us;
- not disclose or distribute our confidential information, except when such disclosure is authorized by us or required by law; and
- deal ethically and lawfully with our customers, suppliers, competitors and employees.

Our Code of Ethics also contains compliance procedures, allows for the anonymous reporting of a suspected violation of our Code of Ethics and specifically forbids retaliation against any executive officer or employee who reports suspected misconduct in good faith. The provisions of our Code of Ethics may only be waived or amended by our Board of Directors or, if permitted, a committee of our Board of Directors. Such waivers or amendments must be promptly disclosed to our stockholders. We intend to

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disclose any amendments to our Code of Ethics, as well as any waivers for executive officers, on our website.

A copy of the Code of Ethics is available on our website at http://www.drhc.com under the heading Corporate Governance and subheading Corporate Governance Overview. We intend to disclose on this website any amendment to, or waiver of, any provision of our Code of Ethics applicable to our directors and executive officers that would otherwise be required to be disclosed under the rules of the SEC or the NYSE Corporate Governance Rules. A copy of our Code of Ethics is also available, without charge, in print to any stockholder upon written request addressed to DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Investor Relations.

In addition, our Board of Directors adopted Corporate Governance Guidelines, a copy of which is available on our website at http://www.drhc.com under the heading Corporate Governance and subheading Corporate Governance Overview. Our Corporate Governance Guidelines are also available, without charge, in print to any stockholder upon written request addressed to DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Investor Relations.

Conflicts of Interest

Our Code of Ethics also contains a conflicts of interest policy to reduce potential conflicts of interest. Our conflicts of interest policy provides that any material transaction or relationship that reasonably could be expected to give rise to a conflict of interest should be reported promptly to the compliance officer, who must then notify our Board of Directors or a committee of our Board of Directors. Actual or potential conflicts of interest involving a director, executive officer or the compliance officer should be disclosed directly to the chairman of our Board of Directors and the chairperson of our Nominating and Corporate Governance Committee. A conflict of interest occurs when a director s, executive officer s or employee s personal interest interferes with our interests. In general, this means that our directors, executive officers and employees must avoid situations that present a potential or actual conflict between their personal interests and our interests. However, we cannot assure you that this policy will be successful in eliminating the influence of these potential conflicts.

Maryland law provides that a contract or other transaction between a corporation and any of the corporation s directors or any other entity in which that director is also a director or has a material financial interest is not void or voidable solely on the grounds of the common directorship or interest, the fact that the director was present at the meeting at which the contract or transaction is approved or the fact that the director s vote was counted in favor of the contract or transaction, if:

- the fact of the common directorship or interest is disclosed to our Board of Directors or a committee of our Board of Directors, and our Board of Directors or that committee authorizes the contract or transaction by the affirmative vote of a majority of the disinterested directors, even if the disinterested directors constitute less than a quorum;

- the fact of the common directorship or interest is disclosed to stockholders entitled to vote on the contract or transaction, and the contract or transaction is approved by a majority of the votes cast by the stockholders entitled to vote on the matter, other than votes of stock owned of record or beneficially by the interested director, corporation, firm or other entity; or

- the contract or transaction is fair and reasonable to the corporation.

Consideration of Director Nominees

***Securityholder Recommendations*.**

Our Nominating and Corporate Governance Committee s current policy is to review and consider any director candidates who have been recommended by securityholders in compliance with the procedures established from time to time by our Nominating and Corporate Governance Committee. All securityholder recommendations for director candidates must be submitted to our Corporate Secretary at DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, who will forward all recommendations to our Nominating and Corporate Governance Committee. We did not receive any securityholder recommendations for director candidates for election at our 2007 annual meeting in compliance with the procedures set forth below. All securityholder recommendations for director candidates for election at our 2008 annual meeting of stockholders must be submitted to our Corporate Secretary on or before December 1, 2007 and must include the following information:

- the name and address of record of the securityholder;
- a representation that the securityholder is a record holder of our securities, or if the securityholder is not a record holder, evidence of ownership in accordance with Rule 14a-8(b)(2) under the Securities Exchange Act of 1934, as amended (the ***Exchange Act***);
- the name, age, business and residential address, educational background, current principal occupation or employment, and principal occupation or employment for the preceding five full fiscal years of the proposed director candidate;
- a description of the qualifications and background of the proposed director candidate which addresses the minimum qualifications and other criteria for Board of Directors membership as approved by our Board of Directors from time to time;
- a description of all arrangements or understandings between the securityholder and the proposed director candidate;
- the consent of the proposed director candidate (1) to be named in the proxy statement relating to our annual meeting of stockholders and (2) to serve as a director if elected at such annual meeting; and
- any other information regarding the proposed director candidate that is required to be included in a proxy statement filed pursuant to the rules of the SEC.

Board of Directors Membership Criteria.

Our Board of Directors has established criteria for Board of Directors membership. These criteria include the following specific, minimum qualifications that our Nominating and Corporate Governance Committee believes must be met by a nominee for a position on our Board of Directors, including the nominee shall:

- have the highest personal and professional integrity;
- have demonstrated exceptional ability and judgment; and
- be most effective, in conjunction with the other nominees to our Board of Directors, in collectively serving the long-term interests of the stockholders.

In addition to the minimum qualifications for each nominee set forth above, our Nominating and Corporate Governance Committee will recommend director candidates to the full Board of Directors for nomination, or present director candidates to the full Board of Directors for consideration, to help ensure that:

- a majority of our Board of Directors shall be independent as defined by the NYSE Corporate Governance Rules;
- each of its Audit, Compensation and Nominating and Corporate Governance Committees shall be comprised entirely of independent directors; and

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- at least one member of our Audit Committee shall have such experience, education and other qualifications necessary to qualify as an audit committee financial expert as defined by the rules of the SEC.

Identifying and Evaluating Nominees.

Our Nominating and Corporate Governance Committee may solicit recommendations for director nominees from any or all of the following sources: non-management directors, our chairman and chief executive officer, other executive officers, third-party search firms, or any other source it deems appropriate.

Our Nominating and Corporate Governance Committee will review and evaluate the qualifications of any proposed director candidate that it is considering or has been recommended to it by a securityholder in compliance with our Nominating and Corporate Governance Committee s procedures for that purpose, and conduct inquiries it deems appropriate into the background of proposed director candidates. In identifying and evaluating proposed director candidates, our Nominating and Corporate Governance Committee may consider, in addition to the minimum qualifications for Board of Directors membership approved by our Board of Directors, all facts and circumstances that it deems appropriate or advisable, including, among other things, the skills of the proposed director candidate, his or her depth and breadth of business experience, his or her independence and the needs of our Board of Directors. Other than circumstances in which we are legally required by contract or otherwise to provide third parties with the ability to nominate directors, our Nominating and Corporate Governance Committee will evaluate all proposed director candidates that it considers or who have been properly recommended to it by a securityholder based on the same criteria and in substantially the same manner, with no regard to the source of the initial recommendation of the proposed director candidate.

Communications with our Board of Directors

If you wish to communicate with any of our directors or our Board of Directors as a group, you may do so by writing to them at [Name(s) of Director(s)/Board of Directors of DiamondRock Hospitality Company], c/o DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Corporate Secretary.

If you wish to contact our Audit Committee to report complaints or concerns regarding accounting, internal accounting controls or auditing matters, you may do so by writing to the Chairman of the Audit Committee of DiamondRock Hospitality Company, c/o DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Corporate Secretary. You are welcome to make any such reports anonymously, but we prefer that you identify yourself so that we may contact you for additional information if necessary or appropriate.

If you wish to communicate with our non-management directors as a group, you may do so by writing to Non-Management Directors of DiamondRock Hospitality Company, c/o DiamondRock Hospitality Company, 6903 Rockledge Drive, Suite 800, Bethesda, MD 20817, Attention: Corporate Secretary.

We recommend that all correspondence be sent via certified U.S. mail, return receipt requested. All correspondence received by the Corporate Secretary or Compliance Officer will be forwarded promptly to the addressee(s).

In addition, we have established a whistleblower hotline by which any individual can contact us, in a confidential manner, with his or her concerns regarding accounting matters, corporate governance and ethics matters, employee matters or other material concerns. The phone number is 1-(866)-293-2409 and any person may also raise these concerns though our website at http://www.drhc.com under the heading Corporate Governance and subheading Whistleblower Policies and Procedures.

COMPENSATION DISCUSSION AND ANALYSIS

Executive Compensation

Compensation Philosophy and Design.

We have designed our executive compensation program:

- to create proper incentives for our executive team to maximize long-term shareholder value;
- to have a simple and straightforward compensation program; and
- to comply with best practices.

Proper Incentives to Maximize Long-Term Shareholder Value. In order to create proper incentives for our executive team, we set the majority of our executives total compensation to be at risk . For example, in 2006, our four highest paid executive officers received less than one-third of their total compensation in the form of a fixed base salary; the remainder of their compensation was in the form of cash incentive compensation and restricted stock.

Our executive officers cash incentive compensation is all at risk . At the beginning of each year, our Board of Directors sets objective financial criteria for that year and our executives are paid cash incentive compensation based on whether the Company is able to achieve those objectives during that year. We have not guaranteed our executives any minimum cash incentive payments and, in the event of poor performance, the executives could receive no cash incentive compensation during a year.

Our executive officers equity compensation is also at risk . We have not guaranteed our executive officers any minimum amount of equity compensation; the amount of equity compensation paid to our executive officers is wholly within the discretion of our Board of Directors and the amount of equity granted to our executive officers reflects the prior year s corporate and individual performance as well as practices followed by other members of our competitive set.

In addition to setting a majority of our executives total compensation to be at risk , we believe that a significant portion of our executive s compensation should be in the form of restricted stock for several reasons. First, along with our Board of Director s minimum stock ownership policy, restricted stock grants help ensure that a significant portion of each of our executives net worth is tied to the value of our stock, aligning the interests of our executives with those of our shareholders. Second, we believe that granting restricted stock (as opposed to stock options) encourages executives to prudently increase and maintain shareholder value because, unlike stock options, restricted stock carries downside risk. Third, restricted stock is a total shareholder return vehicle, rewarding executives for both share price appreciation as well as dividends. Finally, our stock awards vest on a three-year schedule, thus creating an incentive to help retain our executive officers.

Simple and Straightforward Compensation Program. We have a strong preference for a simple and straightforward compensation program. We pay our executives with cash and with restricted stock in amounts that we believe are approximately at the median of our competitive set. Since our formation, we have not granted options nor have we implemented a pension or a nonqualified deferred compensation program and, during 2007 and for the foreseeable future, we do not intend to grant options or create a pension or a nonqualified deferred compensation program. Moreover, we have very limited perquisites and, beginning in 2007, we have decided to replace all of our executive s perquisites with a $7,000 increase in base salary. Our board members, including our Chief Executive Officer and our President and Chief Operating Officer, continue to receive reimbursement for expenses incurred staying at certain hotels, including all of our hotels, in an amount less than $10,000 per year.

Comply with Best Practices. In designing our executive compensation programs, we strive to maximize the financial efficiency of our compensation programs from tax, accounting, cash flow, and

shareholder dilution perspectives. For example, the amount of our cash incentive compensation paid and the size of the restricted stock grants varies based on the degree to which our financial objectives are achieved. In addition, our Compensation Committee consults with its own independent compensation and legal advisors to assess our compliance with corporate governance best practices when it evaluates our compensation programs.

Compensation for Senior Executives.

The following table sets forth the compensation paid for the last three years to the Chairman of our Board of Directors and Chief Executive Officer and each of the four other named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary($)	Bonus($)	Stock Awards ($)(2)(3)	Option Awards ($)	Non-Equity Incentive Plan Compensation ($)	Changes in Pension Value and Nonqualified Deferred Compensation Earnings ($)	All Other Compensation ($)(4)	Total ($)
William W. McCarten	2006	515,000	0	902,778	0	772,500	0	38,186	2,228,464
Chairman and Chief	2005	500,000	0	1,849,125	0	612,500	0	35,682	2,997,307
Executive Officer	2004 (1)	250,000	0	375,000	0	293,750	0	4,240	922,990
John L. Williams	2006	412,000	0	797,221	0	494,400	0	26,669	1,730,290
President and Chief	2005	400,000	0	1,725,850	0	390,000	0	28,912	2,544,762
Operating Officer	2004 (1)	200,000	0	350,000	0	188,000	0	5,687	743,687
Mark W. Brugger	2006	275,000	0	633,333	0	330,000	0	34,095	1,272,428
Executive Vice President	2005	239,112	0	1,356,025	0	179,335	0	29,913	1,804,385
And Chief Financial Officer	2004 (1)	117,500	0	275,000	0	82,838	0	6,330	481,668
Michael D. Schecter	2006	245,000	0	298,612	0	220,500	0	28,844	792,956
Executive Vice President,	2005	218,762	0	811,775	0	164,072	0	22,449	1,217,058
General Counsel and	2004 (1)	107,500	0	125,000	0	80,625	0	6,330	319,455
Corporate Secretary									
Sean M. Mahoney	2006	175,000	0	63,888	0	105,000	0	23,088	366,976
Chief Accounting Officer and	2005	142,041	0	294,250	0	49,715	0	22,014	508,020
Corporate Controller	2004 (1)	58,333	30,000 (5)	20,833	0	19,602	0	6,330	135,098

(1) The amounts for 2004 salary and incentive plan compensation are for the partial year from our inception in July 2004 until December 31, 2004, except for the amounts for Mr. Mahoney, which are for the partial year from August 1, 2004 until December 31, 2004.

(2) The amounts set forth in this column represent the compensation expense recognized during the specified year in connection with equity awards. In accordance with SFAS 123R, the expense associated with these awards is recognized over the requisite service period (i.e., the vesting period of the restricted stock or deferred stock units). In 2005, the executives received deferred stock units that were fully vested on the grant date (although they will not be distributed until the fifth anniversary of their issuance); in accordance with SFAS 123R, as the awards were fully vested in 2005, the cost of the award was recognized in 2005. See 3. Equity-Based Incentive Compensation Accounting and Tax Treatment of Awards below for a description of the methodology underlying our SFAS 123R valuation.

(3) In every year except 2005, we issued restricted stock to our executive officers. In 2005, we issued deferred stock units to our executive officers. Our executive officers receive current cash dividends on the unvested restricted stock at the same rate as paid to all of our shareholders. Our executive officers do not receive current cash dividends on the deferred stock units, instead all dividends on the deferred stock units are re-invested with the executives being credited with an additional number of deferred stock units that have a fair market value (based on the closing sale price of our common stock on the day the dividend is paid) equal to the amount of the dividend that would have been awarded for those shares.

(4) All other compensation represents the employer safe harbor 401(k) match, health insurance premiums, life and disability insurance premiums and reimbursement of certain compensatory payments to our executive officers, including reimbursement of tax return preparation fees, annual medical examination costs and vacations at hotels either owned by us or managed or franchised by Marriott. For more detail on these amounts, please see Perquisites and Other Benefits below.

(5) This amount represents a bonus paid to Mr. Mahoney in connection with the commencement of his employment.

There are four elements of our compensation program:

1. base salary,

2. a cash incentive compensation award based on the achievement of certain objective corporate goals, and to a lesser extent certain individual goals,

3. annual restricted stock grants, and

4. limited perquisites but reasonable benefits that are identical for all of our associates.

Base Salary. We have set our base salaries in order to achieve two compensation goals: the base salaries need to be competitive but, at the same time, we want a substantial portion of our executives compensation to be at risk .

We review our executives base salaries annually and while we generally attempt to set the base salary for each of our executives at the median of their peers within the applicable competitive sets, we also recognize the need to adjust base salaries to reflect our executive s assigned responsibilities, relevant levels of experience and individual performance. The base salaries for the named executive officers are as follows:

	2005	2006	2007
William W. McCarten	$ 500,000	$ 515,000	$ 537,000
John L. Williams	$ 400,000	$ 412,000	$ 432,000
Mark W. Brugger	$ 239,100	$ 275,000	$ 357,000
Michael D. Schecter	$ 218,800	$ 245,000	$ 282,000
Sean M. Mahoney	$ 142,500	$ 175,000	$ 207,000

Cash Incentive Plan Compensation. We pay annual cash incentive plan compensation to our executive officers based on their achievement of certain objective corporate goals and, to a lesser extent, certain individual goals set by the Compensation Committee at the beginning of the year.

The executive officers annual cash incentive plan compensation for 2006 was based upon a formula established during the first quarter of 2006, consisting of three corporate components and an individual component, weighted as follows:

Corporate Performance Measures 2006 Annual Incentives	Weighting*
Achievement of adjusted 2006 earnings before interest expense, tax, depreciation and amortization (or ***EBITDA***) compared to the 2006 budget presented to our Board of Directors in February of 2006 (as increased by the amount of EBITDA projected to be generated by each acquisition approved by the Board of Directors after February 2006)	70%
Accomplishment of the 2006 scheduled renovations within the approved budgets without a material reduction in scope	5-15%
Achievement of the newly acquired hotels generating aggregate hotel-level EBITDA as compared to the projections initially presented to our Board of Directors in connection with the acquisitions	5-10%
Achievement of certain individual performance objectives	5-20%

* Weighting for certain measures varies by executive, based on their areas of responsibility.

For each of the metrics, we adopted threshold, target and maximum numerical goals. We did not guarantee any of our executives any minimum cash incentive plan compensation; if the executive failed to achieve the threshold for any of the cash incentive plan compensation metrics, the executive would not have received a cash incentive plan compensation for that metric. Achievement at the threshold level of performance pays 50% of the target and achievement at the maximum level of performance pays 150% of target, with linear proration for achievement in between each of those levels. We set the threshold and maximum corporate goals at levels that, at the beginning of the year, we thought were very unlikely to be achieved.

Reflecting the exceptional year that we had in 2006, the executive officers met or exceeded the maximum numerical targets for all of the corporate objectives set by the Compensation Committee. DiamondRock (i) surpassed its adjusted EBITDA budget for 2006 by $9.6 million (or 7.7% above the corporate budget), (ii) completed the scheduled hotel renovations within the pre-approved budget without any material scope reductions, and (iii) was able to generate hotel-level EBITDA in 2006 that in the aggregate exceeded our initial underwriting by nearly $7.8 million (or 5.8% above the initial underwriting). The annual incentive opportunity ranges for 2006 and the actual cash incentive compensation earned for 2006 performance was as follows:

	2006 Cash Incentive Opportunity (expressed as a percentage of 2006 base salary)			**2006 Cash Incentive Earned**	
	Threshold	**Target**	**Maximum**	**% Salary**	**$ Value**
William W. McCarten	50%	100%	150%	150%	772,500
John L. Williams	40%	80%	120%	120%	494,400
Mark W. Brugger	40%	80%	120%	120%	330,000
Michael D. Schecter	30%	60%	90%	90%	220,500
Sean M. Mahoney	20%	40%	60%	60%	105,000

The executive officer annual incentive compensation plan for 2007 is based on a formula adopted in February 2007 by our Compensation Committee that ties 70% to 80% of the executive officer incentive plan compensation to the achievement of two corporate goals and the remainder to certain individual objectives, with the individual objectives and the mix between the corporate and individual goals depending upon the responsibilities of the particular officer.

Corporate Performance Measures 2007 Annual Incentives	**Weighting***
Achievement of adjusted 2007 Funds From Operations per share (FFO per share) compared to the 2007 budget presented to our Board of Directors in February of 2007	65-70%
Achievement of the newly acquired hotels generating aggregate hotel-level EBITDA compared to the projections initially presented to our Board of Directors in connection with the acquisitions.	5-10%
Achievement of certain individual performance objectives.	20-30%

* Weighting for certain measures varies by executive, based on their areas of responsibility.

In 2007, we changed our primary incentive plan metric from aggregate corporate adjusted EBITDA to adjusted FFO per share in order to explicitly link our executive compensation to our cost of capital. Adjusted FFO per share, unlike adjusted EBITDA, takes into account interest expense paid by us. In addition, by adopting a per share metric, we create appropriate incentives for our management to evaluate the number of shares outstanding and whether or not to fund a proposed acquisition through the issuance of additional equity.

The basic structure of our 2007 cash incentive plan is the same as the structure of the 2006 cash incentive plan. For each of our metrics, we adopted threshold, target and maximum numerical goals and we have not guaranteed any of our executives any minimum cash incentive plan compensation. We have set the threshold and maximum corporate goals at levels that, at the beginning of the year, we thought were unlikely to be achieved. For example, in 2007, the executive officers will receive the Target payout for the adjusted FFO per share component if we achieve our budgeted adjusted FFO per share for the year. When we adopted our budget in February of 2007, we believed that we had approximately a 70% likelihood of achieving our budgeted 2007 adjusted FFO per share.

The following chart shows the potential payouts our executives can receive under the 2007 incentive plan.

	2007 Cash Incentive Opportunity (expressed as a percentage of 2007 base salary) Threshold	Target	Max
William W. McCarten	50%	100%	150%
John L. Williams	40%	80%	120%
Mark W. Brugger	40%	80%	120%
Michael D. Schecter	30%	60%	90%
Sean M. Mahoney	20%	40%	60%

Equity-Based Incentive Compensation. An important element of our total executive compensation is our restricted stock awards. We believe that our equity award program serves a number of important corporate objectives, most importantly the alignment of our executives interests with our shareholders interests. Our equity award program helps to ensure that each of our executives has a significant portion of their net worth tied to the performance of our stock. Our restricted stock grants are intended to serve also as an important executive retention device.

Our Compensation Committee determines, in its sole discretion, the amount of equity to be awarded to our executive officers each year reflecting our performance in the prior year, individual performance and competitive levels of long-term incentive compensation among our competitive set. Our executive officers are not guaranteed any minimum number of shares of restricted stock.

Grants of Plan-Based Awards 2006

Name	Date of Compensation Committee Meeting(2)	Grant Date	Estimated Future Payouts Under Non-Equity Incentive Plan Awards (1) Threshold ($)	Target ($)	Maximum ($)	Estimated Future Payouts Under Equity Incentive Plan Awards Threshold (#)	Target (#)	Maximum (#)	All Other Stock Awards Number of Shares of Stock or Units (#)(4)	All Other Option Awards: Number of Securities Underlying Options (#)	Exercise or Base Price of Option Awards ($/Sh)	Grant Date Fair Value of Stock and Option Awards ($)(5)
William W. McCarten	2-28-2006	2-28-2006	257,500	515,000	772,500							
	7-25-2006	8-1-2006							69,139			1,100,001
John L. Williams	2-28-2006	2-28-2006	164,800	329,600	494,400							
	7-25-2006	8-1-2006							43,997			699,992
Mark W. Brugger	2-28-2006	2-28-2006(3)	110,000	220,000	330,000							
	7-25-2006	8-1-2006							37,712			599,998
Michael D. Schecter	2-28-2006	2-28-2006	73,500	147,000	220,500							
	7-25-2006	8-1-2006							21,999			350,004
Sean M. Mahoney	2-28-2006	2-28-2006	35,000	70,000	105,000							
	7-25-2006	8-1-2006							6,285			99,994

(1) During February 2007, we paid each of our executive officers, pursuant to the 2006 cash incentive plan, the following amounts: Mr. McCarten $772,500, Mr. Williams $494,400, Mr. Brugger $330,000, Mr. Schecter $220,500 and Mr. Mahoney $105,000.

(2) See Timing of Awards below.

(3) On July 25, 2006, following a review of compensation practices within our competitive set, the Board of Directors modified Mr. Brugger s cash incentive compensation potential from a target award of 60% of his 2006 base salary to a target award of 80% of his 2006 base salary. The revised threshold, target and maximum cash incentive plan amounts are reflected in the chart.

(4) This column represents the July 25, 2006 grant of restricted stock to each of the executive officers. These shares of restricted stock will vest over a three year period.

(5) The grant date fair value is based on the fair value on the grant date of the award, as determined in accordance with SFAS 123R.

Outstanding Equity Awards at Fiscal Year-End 2006

	Option Awards					Stock Awards			
Name	**Number of Securities Underlying Unexercised Options (#) Exercisable**	**Number of Securities Underlying Unexercised Options (#) Unexercisable**	**Equity Incentive Plan Awards: Number of Securities Underlying Unexercised Unearned Options (#)**	**Option Exercise Price ($)**	**Option Expiration Date**	**Number of Shares or Units of Stock That Have Not Vested (1) (#)**	**Market Value of Shares or Units of Stock That Have Not Vested(1)(2) ($)**	**Equity Incentive Plan Awards: Number of Unearned Shares, Units or Other Rights That Have Not Vested (#)**	**Equity Incentive Plan Awards: Market or Payout Value of Unearned Shares, Units or Other Rights That Have Not Vested ($)**
William W. McCarten						144,139	2,595,943		
John L. Williams						113,997	2,053,086		
Mark W. Brugger						92,712	1,669,743		
Michael D. Schecter						46,999	846,452		
Sean M. Mahoney						11,285	203,243		

(1) Does not include fully vested, but not distributed deferred stock unit awards discussed below

(2) Calculated using $18.01 per share, our stock price as of the close of trading on December 29, 2006.

Types of Awards. Since the formation of our Company, we have issued only shares of restricted stock and deferred stock units. We have not issued any options or other forms of equity-based compensation and do not intend to issue any such options or other equity-based compensation in 2007 as we believe issuing restricted stock or deferred stock units is a more appropriate method of providing long term incentives for our directors, executive officers and other employees.

Our restricted stock consists of restricted stock awards that vest over a three year period. Such awards pay dividends on a current basis. We granted such time-based restricted stock in July 2004, August 2006 and February 2007.

The following table shows the shares of restricted stock that vested in 2006.

Option Exercises and Stock Vested Table 2006

	Option Awards		Stock Awards	
Name	**Number of Shares Acquired on Exercise (#)**	**Value Realized on Exercise ($)**	**Number of Shares Acquired on Vesting (#)**	**Value Realized on Vesting ($)**
William W. McCarten			150,000	2,386,500
John L. Williams			140,000	2,227,400
Mark W. Brugger			110,000	1,750,100
Michael D. Schecter			50,000	795,000
Sean M. Mahoney			10,000	159,100

We have also issued deferred stock unit awards. In 2005, in connection with our initial public offering, we issued 382,500 shares of deferred stock unit awards to our five named executive officers as follows:

Shares of deferred stock granted in 2005
in connection with our initial public offering

	Original Units Granted	Additional Units Received Through Dividend Reinvestment (as of December 31, 2006)
William W. McCarten	112,500 units	7,932 units
John L. Williams	105,000 units	7,403 units
Mark W. Brugger	82,500 units	5,816 units
Michael. D. Schecter	57,500 units	4,054 units